

# HOUSE BILL No. 1349

## DIGEST OF INTRODUCED BILL

**Citations Affected:** IC 21-9.

**Synopsis:** Prepaid college tuition. Establishes the Indiana prepaid college program. Requires the Indiana education savings authority to administer the program. Provides for the advance payment of tuition (including registration fees) or room and board, or both, at a community college or university.

**Effective:** July 1, 2003.

**Goodin**

January 14, 2003, read first time and referred to Committee on Education.

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First Regular Session 113th General Assembly (2003)

PRINTING CODE. Amendments: Whenever an existing statute (or a section of the Indiana Constitution) is being amended, the text of the existing provision will appear in this style type, additions will appear in **this style type**, and deletions will appear in ~~this style type~~.

Additions: Whenever a new statutory provision is being enacted (or a new constitutional provision adopted), the text of the new provision will appear in **this style type**. Also, the word **NEW** will appear in that style type in the introductory clause of each SECTION that adds a new provision to the Indiana Code or the Indiana Constitution.

Conflict reconciliation: Text in a statute in *this style type* or ~~this style type~~ reconciles conflicts between statutes enacted by the 2002 Regular or Special Session of the General Assembly.

## HOUSE BILL No. 1349

A BILL FOR AN ACT to amend the Indiana Code concerning education finance and to make an appropriation.

*Be it enacted by the General Assembly of the State of Indiana:*

1 SECTION 1. IC 21-9-1-1, AS AMENDED BY P.L.135-2002,  
2 SECTION 2, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
3 JULY 1, 2003]: Sec. 1. The following are the purposes of this article:

- 4 (1) To encourage education and the means of education.
- 5 (2) To encourage attendance at higher education institutions.
- 6 (3) To provide families additional means of striving for higher  
7 education through an education savings program that may be  
8 established under this article.
- 9 (4) To help provide the benefits of higher education to the people  
10 of Indiana.
- 11 (5) To promote the economic development of the state by creating  
12 opportunities for a more highly educated workforce.
- 13 (6) To increase employment opportunities in Indiana.
- 14 (7) To encourage a working partnership among the people of  
15 Indiana, including Indiana families, and elementary and  
16 secondary schools, higher education institutions, financial  
17 institutions, and state government in furthering a greater rate of



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savings and greater participation in higher education.

**(8) To establish a program for the prepayment of college tuition and room and board at a guaranteed fixed cost for undergraduates enrolled at a higher education institution.**

SECTION 2. IC 21-9-2-7.5 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2003]: **Sec. 7.5. "Advance payment contract" means a contract entered into by the board of directors of the Indiana education savings authority and a purchaser under IC 21-9-11 for the prepayment of tuition (including registration fees) or room and board, or both, at a higher education institution.**

SECTION 3. IC 21-9-2-9.3 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2003]: **Sec. 9.3. "Community college" refers to a higher education institution included in the community college system established under IC 20-12-75.**

SECTION 4. IC 21-9-2-17.4 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2003]: **Sec. 17.4. "Prepaid college fund" refers to the Indiana prepaid college fund established by IC 21-9-5-1.**

SECTION 5. IC 21-9-2-17.7 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2003]: **Sec. 17.7. "Prepaid college program" refers to the Indiana prepaid college program established by IC 21-9-11.**

SECTION 6. IC 21-9-2-18.5 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2003]: **Sec. 18.5. "Purchaser" means a person who enters into an advance payment contract with the board of directors of the Indiana education savings authority for the prepayment of tuition or room and board, or both, at a higher education institution.**

SECTION 7. IC 21-9-2-19.1 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2003]: **Sec. 19.1. "Qualified beneficiary", for purposes of IC 21-9-11, means an individual:**

**(1) for whom a purchaser enters into an advance payment contract for the prepayment of tuition, room and board, or both, at a higher education institution; and**

**(2) who is:**

**(A) an Indiana resident at the time a purchaser enters into an advance payment contract on behalf of the Indiana resident; or**

**(B) a nonresident who is the child of a noncustodial parent**

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1           **who is an Indiana resident at the time the noncustodial**  
 2           **parent enters into an advance payment contract on behalf**  
 3           **of the child.**

4           SECTION 8. IC 21-9-2-25 IS ADDED TO THE INDIANA CODE  
 5           AS A **NEW** SECTION TO READ AS FOLLOWS [EFFECTIVE JULY  
 6           1, 2003]: **Sec. 25. "Tuition" includes the payment of registration**  
 7           **fees.**

8           SECTION 9. IC 21-9-3-3, AS AMENDED BY P.L.135-2002,  
 9           SECTION 17, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
 10          JULY 1, 2003]: Sec. 3. The authority:

- 11           **(1) may establish any number of education savings programs; and**  
 12           **(2) shall establish the Indiana prepaid college program as**  
 13           **described in IC 21-9-11.**

14          SECTION 10. IC 21-9-5-1, AS AMENDED BY P.L.85-2000,  
 15          SECTION 4, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
 16          JULY 1, 2003]: Sec. 1. The following are established:

- 17           (1) The general operating fund.  
 18           (2) The endowment fund.  
 19           (3) The **Indiana family college savings** trust fund and, in the  
 20           trust fund, the following:  
 21                (A) The administrative account.  
 22                (B) The program account.

23           **(4) The Indiana prepaid college fund described in IC 21-9-11.**

24          SECTION 11. IC 21-9-5-2, AS AMENDED BY P.L.85-2000,  
 25          SECTION 5, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
 26          JULY 1, 2003]: Sec. 2. The authority shall establish and implement  
 27          investment policies in accordance with IC 5-13 for the following:

- 28           (1) Money in the general operating fund.  
 29           (2) Money in the administrative account **of the Indiana family**  
 30           **college savings trust fund.**  
 31           (3) Any other money of the authority other than money in:  
 32                (A) the endowment fund **and established under this chapter**  
 33                **for the benefit of the education savings program;**  
 34                (B) the program account **of the Indiana family college**  
 35                **savings trust fund; and**  
 36                **(C) the Indiana prepaid college fund.**

37          SECTION 12. IC 21-9-5-4 IS AMENDED TO READ AS  
 38          FOLLOWS [EFFECTIVE JULY 1, 2003]: Sec. 4. The board shall  
 39          establish and implement investment policies for money in:

- 40           (1) the endowment fund **and established under this chapter for**  
 41           **the benefit of the education savings program;**  
 42           (2) the program account **of the Indiana family college savings**

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1 **trust fund; and**

2 **(3) the Indiana prepaid college trust fund described in**  
 3 **IC 21-9-11;**

4 for investment in the manner provided by IC 30-4-3-3.

5 SECTION 13. IC 21-9-7-1, AS AMENDED BY P.L.135-2002,  
 6 SECTION 21, IS AMENDED TO READ AS FOLLOWS [EFFECTIVE  
 7 JULY 1, 2003]: Sec. 1. In addition to any other powers granted by this  
 8 article, the board has all powers necessary or convenient to carry out  
 9 and effectuate the purposes and objectives of this chapter, ~~and~~  
 10 IC 21-9-8, ~~and IC 21-9-11~~, the purposes and objectives of an education  
 11 savings program that may be established under this article, and the  
 12 powers delegated by other laws or executive orders, including the  
 13 following:

14 (1) To establish policies and procedures to govern distributions  
 15 from accounts that are not:

16 (A) made on account of the death or disability of an account  
 17 beneficiary;

18 (B) made on account of the receipt of a scholarship (or  
 19 allowance or payment described in Section 135(d)(1)(B) or (C)  
 20 of the Internal Revenue Code) by the account beneficiary to  
 21 the extent the amount of the distribution does not exceed the  
 22 amount of the scholarship, allowance, or payment; or

23 (C) rollovers.

24 (2) To establish penalties for withdrawals of money from accounts  
 25 that are not used exclusively for the qualified higher education  
 26 expenses of an account beneficiary unless a circumstance  
 27 described in subdivision (1) applies.

28 (3) To establish policies and procedures regarding the transfer of  
 29 individual accounts and the designation of substitute account  
 30 beneficiaries.

31 (4) To establish policies and procedures for withdrawal of money  
 32 from accounts for, or in reimbursement of, qualified higher  
 33 education expenses.

34 (5) To enter into agreements with account owners, account  
 35 beneficiaries, and contributors, with the agreements naming:

36 (A) the account owner; and

37 (B) the account beneficiary.

38 (6) To establish accounts for account beneficiaries. However:

39 (A) the authority shall establish a separate account for each  
 40 account beneficiary; and

41 (B) an individual may be the beneficiary of more than one (1)  
 42 account.

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(7) To enter into agreements with financial institutions relating to accounts as well as deposits, withdrawals, penalties, allocation of benefits or incentives, and transfers of accounts, account owners, and account beneficiaries.

(8) To conform the education savings program to federal tax advantages or incentives, as the advantages or incentives may exist periodically, to the extent consistent with the purposes and objectives of this article.

(9) To interpret, in rules, policies, guidelines, and procedures, the provisions of this article broadly considering the purposes and objectives of this article.

**(10) To do the following with respect to the Indiana prepaid college program described in IC 21-9-11:**

**(A) Establish agreements or other transactions with federal, state, and local agencies, including state universities and community colleges.**

**(B) Establish residency requirements for qualified beneficiaries, as defined in IC 21-9-2-19.**

**(C) Restrict the number of participants in the prepaid college program. However, any person denied participation solely on the basis of such restriction shall be granted priority for participation during the succeeding year.**

**(D) Segregate contributions and payments to the Indiana prepaid college fund into various accounts and funds.**

**(E) Require and collect administrative fees and charges in connection with any transaction and impose reasonable penalties, including default, for delinquent payments or for entering into an advance payment contract on a fraudulent basis.**

**(F) Procure insurance against any loss in connection with the property, assets, and activities of the Indiana prepaid college fund or the board.**

**(G) Impose reasonable time limits on use of the tuition benefits provided by the program.**

**(H) Establish the terms and conditions under which payments may be withdrawn from the Indiana prepaid college fund and impose reasonable fees and charges for a withdrawal.**

**(I) Provide for the receipt of contributions in lump sums or installment payments.**

**(J) Establish other policies, procedures, and criteria to**

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implement and administer IC 21-9-11.

SECTION 14. IC 21-9-10-5 IS ADDED TO THE INDIANA CODE AS A NEW SECTION TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2003]: **Sec. 5. Board members and employees of the board are not prohibited from purchasing advance payment contracts by virtue of their fiduciary responsibilities as members of the board or official duties as employees of the board.**

SECTION 15. IC 21-9-11 IS ADDED TO THE INDIANA CODE AS A NEW CHAPTER TO READ AS FOLLOWS [EFFECTIVE JULY 1, 2003]:

**Chapter 11. Indiana Prepaid College Program**

**Sec. 1. (a) The Indiana prepaid college program established by the authority under IC 21-9-3-3 shall provide a means through which the cost of tuition (including registration fees) and room and board may be paid in advance of enrollment at a state institution of higher education at a rate lower than the projected corresponding cost at the time of actual enrollment.**

**(b) A purchaser wanting to participate in the Indiana prepaid college program established under this chapter on behalf of the purchaser or another individual must enter into an advance payment contract under this chapter.**

**(c) Payments made by purchasers under advance payment contracts under this chapter shall be combined and invested in a manner that yields, at a minimum, sufficient interest to generate the difference between the prepaid amount and the cost of tuition and room and board at the time of actual enrollment. A qualified beneficiary of an advance payment contract who enrolls in a state institution of higher education may not be charged fees that exceed the fees set forth in the advance payment contract.**

**Sec. 2. The board shall make advance payment contracts available under three (3) independent plans:**

**(1) The tuition plan, which provides for:**

**(A) the prepayment of tuition (including registration fees) at a university; or**

**(B) the prepayment of tuition (including registration fees) at a community college.**

**(2) The room and board plan, which provides for:**

**(A) the prepayment of room and board at a university; or**

**(B) the prepayment of room and board at a community college.**

**(3) The combination plan, which provides for:**

**(A) the prepayment of both tuition (including registration**

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fees) and room and board at a university; or

(B) the prepayment of both tuition (including registration fees) and room and board at a community college.

**Sec. 3. (a)** This section applies to an advance payment contract under the tuition plan.

(b) An advance payment contract shall provide for the prepayment of tuition (including registration fees) for a specified number of undergraduate semester credit hours not to exceed the average number of hours required to obtain:

(1) an associate degree at a community college; or

(2) a baccalaureate degree at a state higher education institution.

(c) With respect to an advance payment contract for tuition at a community college, the total amount of tuition to be paid under the plan shall be based primarily on:

(1) the average current and projected tuition costs and fees within the Indiana community college system; and

(2) the number of years expected to elapse between the execution of an advance payment contract under a community college plan and the exercise by the qualified beneficiary of the benefits provided in the plan.

(d) With respect to an advance payment contract for tuition at a university, the total amount of tuition (including registration fees) to be paid under the university plan shall be based primarily on:

(1) the current and projected tuition costs and fees among the state universities; and

(2) the number of years expected to elapse between the execution of an advance payment contract under the university plan and the exercise by the qualified beneficiary of the benefits provided in the plan.

(e) For purposes of determining the amount of tuition to be paid under a tuition plan, each qualified beneficiary shall be classified as a resident of Indiana, regardless of the beneficiary's actual legal residence.

**Sec. 4. (a)** This section applies to an advance contract under the room and board plan.

(b) An advance payment contract may provide prepaid room and board for a maximum of ten (10) semesters of full-time undergraduate enrollment at a state university or community college that operates a dormitory or provides residency opportunities. Prepaid room and board plans shall be purchased

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in increments of two (2) semesters.

(c) The total cost of room and board under the plan shall be based primarily on:

- (1) the average current and projected cost of room and board among the state universities or community colleges; and
- (2) the number of years expected to elapse between the execution of the advance payment contract and the exercise of the benefits provided under the plan by a qualified beneficiary.

(d) A qualified beneficiary shall have the highest priority in the assignment of housing within university or community college residence halls.

(e) A qualified beneficiary shall bear the cost of any additional elective charges, such as laundry service and long distance telephone service.

(f) Each state university or community college may specify the residence halls or other university-held residences eligible for inclusion in the plan. In addition, a state university or community college may request immediate termination of a dormitory residence contract based on a violation or multiple violations of rules of the residence hall or other university held or community college held residences.

(g) If sufficient housing is not available for all qualified beneficiaries, the board shall refund the purchaser or qualified beneficiary an amount equal to the fees charged for dormitory residence during that semester. If a qualified beneficiary fails to be admitted to a state university or chooses to attend a community college that operates one (1) or more dormitories or residency opportunities, the qualified beneficiary may transfer, or cause to have transferred, to the community college the fees associated with dormitory residence. Dormitory fees transferred to the community college may not exceed the maximum fees charged for state university dormitory residence for the purposes of this section or the fees charged for a community college, whichever is less.

Sec. 5. (a) This section applies to a combination plan authorized under section 2(3) of this chapter.

(b) The total cost of the tuition component of the plan shall be based primarily upon one (1) of the following:

- (1) The criteria specified in section 3(c) of this chapter concerning an advance payment contract for tuition at a community college.
- (2) The criteria specified in section 3(d) of this chapter



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concerning an advance payment contract for tuition at a university.

(c) The total cost of the room and board component of the plan shall be based primarily upon the criteria specified in section 4(c) of this chapter.

Sec. 6. (a) A qualified beneficiary may use a tuition plan or a room and board plan at any private higher education institution within Indiana.

(b) The board shall transfer, or cause to have transferred, to a private higher education institution designated by a qualified beneficiary an amount not to exceed the redemption value of the advance payment contract within a state higher education institution. If the cost of tuition (including registration fees) or room and board at the private higher education institution is less than the corresponding fees at a state higher education institution, the amount transferred shall not exceed the actual cost of tuition or room and board. No transfer authorized under this subsection shall exceed the number of semester credit hours or semesters contracted on behalf of a qualified beneficiary.

Sec. 7. (a) A qualified beneficiary may use a tuition plan or a room and board plan at an out-of-state higher education institution.

(b) The board shall transfer, or cause to have transferred, an amount not to exceed the redemption value of the advance payment contract or the original purchase price plus five percent (5%) compounded interest, whichever is less, after assessment of a reasonable transfer fee. If the cost of tuition (including registration fees) or room and board charged the qualified beneficiary at the out-of-state higher education institution is less than this calculated amount, the amount transferred may not exceed the actual cost of tuition (including registration fees) or room and board. Any remaining amount must be transferred in subsequent semesters until the transfer value is depleted. A transfer authorized under this subsection may not exceed the number of semester credit hours or semesters contracted on behalf of a qualified beneficiary.

Sec. 8. An advance payment contract entered into under this chapter must include the following terms and conditions:

(1) The amount of the payment or payments and the number of payments required from a purchaser on behalf of a qualified beneficiary.

(2) The terms and conditions under which the purchaser shall remit payments, including the date or dates upon which each



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1 payment is due.

2 (3) Provisions for late payment charges and for default.

3 (4) Provisions for penalty fees for withdrawals from the fund.

4 (5) The name and date of birth of the qualified beneficiary on  
5 whose behalf the contract is executed, and the terms and  
6 conditions under which another person may be substituted as  
7 the qualified beneficiary.

8 (6) The name of any person who may terminate the contract.  
9 The terms of the contract shall specify whether the contract  
10 may be terminated by the purchaser, the qualified  
11 beneficiary, a specific designated person, or any combination  
12 of those persons.

13 (7) The terms and conditions under which a contract may be  
14 terminated, modified, or converted, the name of the person  
15 entitled to any refund due as a result of termination of the  
16 contract in accordance with such terms and conditions, and  
17 the amount of refund, if any, due the person so named.

18 (8) The number of semester credit hours or semesters of room  
19 and board contracted by the purchaser.

20 (9) The state higher education institution toward which the  
21 contracted credit hours or semesters of room and board will  
22 be applied.

23 (10) The assumption of a contractual obligation by the board  
24 to a qualified beneficiary to provide:

- 25 (A) a specified number of semester credit hours of  
26 undergraduate instruction at a state higher education  
27 institution, not to exceed the average number of credit  
28 hours required to obtain the degree that corresponds to the  
29 plan purchased on behalf of the qualified beneficiary; or  
30 (B) a specified number of semesters of room and board, not  
31 to exceed the number of semesters of full-time enrollment  
32 required to obtain a baccalaureate degree.

33 (11) The time limits imposed by the board under  
34 IC 21-9-7-1(11) on the use of the tuition benefits provided by  
35 the program.

36 (12) Other terms and conditions considered by the board to be  
37 necessary or proper.

38 Sec. 9. (a) The board shall administer the Indiana prepaid  
39 college fund established by IC 21-9-5-1.

40 (b) The Indiana prepaid college fund consists of the following:

41 (1) State appropriations.

42 (2) Money from other governmental or private sources.

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(3) Money remitted in accordance with advance payment contracts under this chapter.

(4) Dividends, interest, and gains accruing to the fund.

(c) The treasurer of state shall invest the money in the Indiana prepaid college fund not currently needed to meet the obligations of the fund in the same manner as other public money may be invested. Interest that accrues from these investments shall be deposited in the fund.

(d) The following shall increase the total funds available for the Indiana prepaid college program:

(1) Money associated with an advance payment contract terminated under section 17 of this chapter.

(2) Money associated with a canceled advance payment contract for which no refund has been claimed.

(e) Money in the Indiana prepaid college fund at the end of a state fiscal year does not revert to the state general fund.

(f) If dividends, interest, and gains exceed the amount necessary for program administration and disbursements, the board may designate an additional percentage of the Indiana prepaid college fund to serve as a contingency fund.

Sec. 10. The fund established under IC 21-9-5-1 shall be preserved, invested, and expended only under this chapter and may not be used for any other purpose. The fund shall be held in trust for purchasers and qualified beneficiaries.

Sec. 11. (a) Investment policies for the fund established under section 9 of this chapter shall limit maximum participation by any account of the fund in a single security or credit to seven percent (7%) of that account's total assets.

(b) The limitation under subsection (a) does not apply to the following securities:

(1) Securities issued by the United States government.

(2) Securities issued by federal agencies that are guaranteed by the United States government with respect to payment of principal and interest.

(3) Securities issued by the following federal agencies that are not guaranteed by the United States government:

(A) Federal Land Banks.

(B) Federal Home Loan Banks.

(C) Federal Home Loan Mortgage Corporation.

(D) Bank for Cooperatives.

(E) Federal Intermediate Credit Banks.

(F) Federal Farm Credit Banks.

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1       **Sec. 12. Criteria for management of assets in the fund**  
 2       **established under IC 21-9-5-1, including investment of assets, must**  
 3       **provide for both asset protection and income growth relative to**  
 4       **expected tuition costs while providing for the actuarial soundness**  
 5       **of the fund.**

6       **Sec. 13. (a) The fund established under IC 21-9-5-1 is subject to**  
 7       **annual audit by an independent public accounting firm retained by**  
 8       **the board.**

9       **(b) The authority shall promptly transmit copies of each annual**  
 10       **audit to the governor and the general assembly. Upon request, the**  
 11       **authority shall make copies of the audit available to qualified**  
 12       **beneficiaries, account owners, and the public.**

13       **Sec. 14. A purchaser or qualified beneficiary may not direct the**  
 14       **investment of any contributions or the earnings on any**  
 15       **contribution.**

16       **Sec. 15. The board shall establish:**

17       **(1) procedures for notifying a purchaser of any unclaimed**  
 18       **refund if the purchaser terminates the purchaser's contract**  
 19       **under the terms of the contract; and**

20       **(2) a time after which the purchaser is not entitled to a refund.**

21       **Sec. 16. Notwithstanding any other provision of this chapter, the**  
 22       **board may adopt rules under IC 4-22-2 necessary to enable the**  
 23       **program to retain its status as a qualified state tuition program in**  
 24       **order to maintain the tax exempt status or other similar status of**  
 25       **the program, purchasers, and qualified beneficiaries under Section**  
 26       **529 of the Internal Revenue Code. The board shall inform each**  
 27       **purchaser of any changes to the tax or securities status of a**  
 28       **contract purchased through the program.**

29       **Sec. 17. (a) An advance payment contract may provide that**  
 30       **contracts that have not been terminated or the benefits exercised**  
 31       **within a specified time shall be considered terminated.**

32       **(b) Time expended by a qualified beneficiary as an active duty**  
 33       **member of any of the armed services of the United States shall be**  
 34       **added to the time specified under subsection (a). A purchaser or**  
 35       **qualified beneficiary whose advance payment contract is**  
 36       **terminated under this section is not entitled to a refund.**

37       **(c) The board shall retain money paid by the purchaser for an**  
 38       **advance payment contract that has been terminated in accordance**  
 39       **with this section. Money retained by the board under this section**  
 40       **must be used by the board to further the purposes of this chapter.**

41       **Sec. 18. (a) Except as provided in subsections (b) and (c), a**  
 42       **refund may not exceed the amount paid into the fund by the**

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1 purchaser.

2 (b) If a qualified beneficiary is awarded a scholarship, the terms  
3 of which cover the benefits included in the advance payment  
4 contracts, money paid for the purchase of the advance payment  
5 contracts must be returned to the purchaser in semester  
6 installments coinciding with the matriculation by the qualified  
7 beneficiary in an amount equal to the original purchase price plus  
8 five percent (5%) compounded interest.

9 (c) In the event of the death or total disability of the qualified  
10 beneficiary, money paid for the purchase of an advance payment  
11 contract must be returned to the purchaser together with five  
12 percent (5%) compounded interest.

13 (d) If an advance payment contract is converted from one (1)  
14 plan to a plan of lesser value, the amount refunded may not exceed  
15 the difference between the amount paid for the original contract  
16 and the amount that would have been paid for the contract to  
17 which the plan is converted had the converted plan been purchased  
18 under the same payment plan at the time the original advance  
19 payment contract was executed.

20 (e) A refund may not be authorized through an advance  
21 payment contract for any school year partially attended but not  
22 completed. For purposes of this subsection, a "school year partially  
23 attended but not completed" refers to a semester in which the  
24 student is still enrolled at the conclusion of the official drop-add  
25 period but withdraws before the end of the semester. If a  
26 beneficiary does not complete a community college plan or  
27 university plan for reasons other than specified in subsection (c),  
28 the purchaser shall receive a refund of the amount paid into the  
29 Indiana prepaid college fund for the remaining unattended years  
30 of the advance payment contract in accordance with rules adopted  
31 by the board.

32 Sec. 19. Information that identifies the purchasers or qualified  
33 beneficiaries of any plan authorized under this chapter and their  
34 advance payment account activities is exempt from the provisions  
35 of IC 5-14. However, the board may authorize the program's  
36 records administrator to release such information to a higher  
37 education institution in which a beneficiary may enroll or is  
38 enrolled. A higher education institution must maintain the  
39 confidentiality of the information.

40 Sec. 20. (a) The state shall meet the obligations of the board to  
41 qualified beneficiaries if money in the Indiana prepaid college fund  
42 fails to offset the obligations of the board.



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(b) There is appropriated to the Indiana prepaid college trust fund from the state general fund the amount necessary to meet the obligations of the board to qualified beneficiaries.

**Sec. 21.** Money paid into or out of the Indiana prepaid college fund by or on behalf of a purchaser or qualified beneficiary of an advance payment contract made under this chapter is exempt from all claims of creditors of the purchaser or the beneficiary. Neither money paid into the program nor benefits accrued through the program may be pledged for the purpose of securing a loan.

**Sec. 22.** The state or any state agency, county, municipality, or other political subdivision may, by contract or collective bargaining agreement, agree with any employee to remit payments toward advance payment contracts through payroll deductions made by the appropriate officer or officers of the state, state agency, county, municipality, or political subdivision. A payment remitted under this section must be administered in accordance with this chapter.

**Sec. 23.** This chapter does not constitute a promise or guarantee that a qualified beneficiary will:

- (1) be admitted to a state higher education institution or to a particular state higher education institution;
- (2) be allowed to continue enrollment at a state higher education institution after admission; or
- (3) graduate from a state higher education institution.

**Sec. 24.** If the Indiana prepaid college program is discontinued, a qualified beneficiary who has been accepted by and is enrolled or is within five (5) years of enrollment in an eligible private college or university or state higher education institution is entitled to exercise the complete benefits under the advance payment contracts. All other contract holders are entitled to receive a refund of the amount paid in and an additional amount in the nature of interest at a rate that corresponds, at a minimum, to the prevailing interest rates for savings accounts provided by banks and savings and loan associations.

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